ZIONS BANCORPORATION

Doyle L. Arnold
Vice Chairman
Chief Financial Officer

November 10, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N. W.
Washington, DC 20429

Attention: Comments Re: RIN # 3064-AD37

Re: Interim Rule Regarding Temporary Liquidity Guarantee Program

Ladies and Gentlemen:

This letter is submitted on behalf of Zions Bancorporation ("Zions") to comment on the Interim Rule Implementing the Temporary Liquidity Guarantee Program (the "TLGP"), 73 Fed. Reg. 64179, issued by the Federal Deposit Insurance Corporation (the "FDIC").

Zions supports the FDIC's efforts through the TLGP to help relieve the crisis in the credit markets and to enhance financial institutions' access to liquidity. Zions also supports the points made in the comment letter dated October 31, 2008 submitted by Sullivan & Cromwell LLP on behalf of Bank of America Corporation, et al. To those comments Zions adds the following:

<u>Comments with regard to sweep accounts:</u>
We specifically note our agreement with the Sullivan & Cromwell point that the TLGP should not include balances swept from DDA accounts. A bank has no way to control the balances in such sweep accounts, and these balances can be highly volatile. Thus, a bank could find itself exceeding the 125% cap through no fault of its own, unless such sweep balances are either excluded entirely from the TLGP program, or at least excluded from the 125% limit. If sweep accounts are not excluded from the TLGP, the guarantee fee should be the same as proposed by the FDIC for non-interest bearing transaction account balances.

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Comments with regard to term senior debt:

Zions also strongly endorses the Sullivan & Cromwell comments that institutions should be free to issue senior unsecured debt not guaranteed by the FDIC, regardless of the stated maturity. The TLGP needs to envision an orderly way for institutions and the market as a whole to transition to a more normal state. The TLGP as currently designed does not facilitate this. Every institution must make a "go cold turkey" decision in December to opt out or not. Those who do not opt out will then be forced to go "cold turkey" for new issuances after June 30, 2009. These hard dates, particularly the latter one, have the potential to create new market disruptions, because no one will be sure of what will happen. If individual institutions were allowed to make issue-by-issue decisions with regard to the guarantee, the market could be tested and restored to normalcy a bit at a time. To be sure, the non-guaranteed market would likely open first to the largest institutions and those with higher credit ratings, and would take longer to open to smaller and less highly-rated banks. But that is the way that markets begin to function, and at some point we will have to go through this process. Zions believes that it would be better to let this begin to unfold during the guarantee period, rather than all at once in July, 2009.

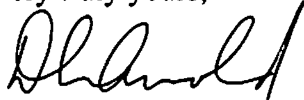
Comments with regard to Fed Funds:

We question the inclusion of Fed Funds in the guarantee program. The Fed Funds market was the one unsecured bank credit market that still appeared to be functioning reasonably normally, right up until the date that the TLGP was announced. It also is the only unsecured funding market for which the primary buyers also are banks. What was not functioning at all was the market for any maturity of term unsecured debt, for which the primary buyers are non-bank investors. By including Fed Funds in the TLGP, the FDIC arguably has made a normal inter-bank market totally abnormal. If the FDIC believed that it had to totally guarantee this inter-bank market in order not to create artificial arbitrage with European country guarantees of European inter-bank borrowing, perhaps that need has passed as markets have begun to stabilize. Since the goal of the program is to stabilize markets and return them to normal, either excluding Fed Funds, or perhaps allowing a separate opt out just for Fed Funds, would be a first step toward that objective. Since presumably most buyers of Fed Funds that might be guaranteed under the TLGP will also have been recipients of senior preferred capital under the Treasury's TARP program, their solvency and therefore ability to repay short-term Fed Funds should not be in question by other banks.

If the FDIC decides not to create a separate opt out for Fed Funds, then Zions strongly endorses the Sullivan & Cromwell comment that the guarantee fee for Fed Funds should be lower than 75 basis points. In fact, we believe it should be MUCH lower, since we would argue that the guarantee is not needed at all. Also, in today's low interest rate environment, with the Fed Funds target rate at 1.00%, a 0.75% fee almost doubles the cost of these funds. We do not believe that there is any way that this fee can be passed along to sellers of Fed Funds, as they will probably just leave their excess funds in their Fed account and earn interest on them at 1.00% (which we understand to be the Fed's current rate on balances held), rather than take a net yield of 25 basis points from a bank. The first effect would thus be to withdraw liquidity from the system. On the other hand, if the target rate of 1.00% is paid by a Fed Funds buying bank, the additional 75 basis point fee makes this source of overnight funding prohibitively expensive. So, we believe that unless this fee is reduced dramatically, to say between 0 and 10 basis points, the Fed Funds market likely will largely disappear until the TLGP program ends - an outcome that would be entirely at odds with the objective of bring functionality to the nation's credit markets.

Zions appreciates this opportunity to comment on the TLGP.

Very truly yours,



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